

TOWNSHIP OF THOMPSON

BASIC FINANCIAL STATEMENTS

For the Year Ended March 31, 2008

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
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Raymond B. LaMarche, CPA, Principal
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Kevin C. Pascoe, CPA
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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Thompson

We have audited the accompanying financial statements of the governmental activities and the major fund of the Township of Thompson as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Thompson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Township of Thompson as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison information on pages 3 through 6 and 20, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Thompson's basic financial statements. The current tax fund statement of changes in assets and liabilities is presented for the purpose of additional analysis and is not a required part of the basic financial statements and has been subjected to the

auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson Tackman & Company P.C.

Certified Public Accountants

September 18, 2008

Management Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Thompson Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2008. Please read it in conjunction with the Township's financial statements, which begin on page 7.

Thompson Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

Financial Highlights

- Net assets for the Township were reported at \$278,010.
- The Township's expenses for the year totaled \$131,951, while revenue from all sources totaled \$131,020 resulting in a decrease in net assets of \$931.
- Capital assets increased by \$10,967 due to town hall bathroom improvements and historic interpretational panels purchased during the year.

Overview of Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 7 and 8) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 9. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Entity-wide Financial Statements

One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources

Management Discussion and Analysis (continued)

and to show proper expenditures of those resources. These funds are reported using method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

Financial Analysis of the Township as a Whole

The township's net assets decreased by \$931 in 2008.

Table 1
Net Assets

	<u>2008</u>	<u>2007</u>
Assets:		
Current assets	\$ 212,510	\$ 205,840
Capital assets (net)	<u>65,500</u>	<u>73,101</u>
Total assets	<u>\$ 278,010</u>	<u>\$ 278,941</u>
Liabilities:	<u>-</u>	<u>-</u>
Net assets:		
Invested in capital assets net of related debt	\$ 65,500	\$ 73,101
Unrestricted	<u>212,510</u>	<u>205,840</u>
Total net assets	<u>\$ 278,010</u>	<u>\$ 278,941</u>

Net assets of the Township's governmental activities stood at \$278,010 in 2008, compared to 2007 of \$278,941. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$212,510 and \$205,840 in 2008 and 2007, respectively.

Management Discussion and Analysis (continued)

Table 2
Changes in Net Assets

	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 4,496	\$ 3,029
General revenues:		
Property taxes	52,429	48,299
State revenue sharing	45,905	57,687
Other	28,190	32,124
Total revenues	<u>\$ 131,020</u>	<u>\$ 141,139</u>
Program expenses:		
Legislative	\$ 2,280	\$ 2,280
General government	67,397	63,957
Public safety	24,651	5,277
Public works	19,579	26,190
Recreation and culture	4,469	2,063
Other	13,575	13,062
Total Expenses	<u>\$ 131,951</u>	<u>\$ 112,829</u>
Increase (decrease) in net assets	(931)	28,310
Net assets-beginning	<u>278,941</u>	<u>250,631</u>
Net assets-ending	<u>\$ 278,010</u>	<u>\$ 278,941</u>

Financial Analysis of the Township's Funds

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

The General Fund pays for most of the Township's governmental services. Total expenses for the year were \$124,350 compared to \$116,643 in 2007 while total revenues were \$131,021 compared to \$141,139 in 2007.

Over the course of the year, the budget was amended to recognize changes to expenditures. The final budget projected an increase in fund balance in the amount of \$0, while the actual results showed an increase to fund balance of \$6,671 due to appropriations for building and grounds maintenance being higher than the actual expenses.

Capital Asset and Long-Term Debt Activity

At fiscal year ended March 31, 2008, the Township had \$65,500 and \$73,101 in 2007 net of accumulated depreciation invested in a variety of capital assets including land, buildings and improvements, and equipment. During the year, the Township's decrease in total capital assets, net of accumulated depreciation of \$7,602 is primarily due to an excess of depreciation expense over capital outlay.

Management Discussion and Analysis (continued)

As of March 31, 2008, the Township had no long term debt outstanding, and acquired no new debt during the fiscal year.

Known Factors Affecting Future Operations

The Township Board and Township management will consider many factors, including the declining state economy, when setting the fiscal year budget, tax rates and fees that will be charged for services.

Contacting the Township's Management

This financial overview is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at P.O. Box 174, Manistique, MI 49854, or at 906-341-6680.

Basic Financial Statements

TOWNSHIP OF THOMPSON
STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash in bank	\$ 201,675
Due from State	<u>10,835</u>
Total current assets	<u>212,510</u>
Noncurrent assets:	
Capital assets	228,426
Less: accumulated depreciation	<u>(162,926)</u>
Total noncurrent assets	<u>65,500</u>
Total assets	<u><u>\$ 278,010</u></u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET ASSETS	
Invested in capital assets, net of related debt	65,500
Unrestricted	<u>212,510</u>
Total net assets	<u>278,010</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 278,010</u></u>

See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
STATEMENT OF ACTIVITIES
March 31, 2008

		Program Revenue	Governmental Activities
			Net (expense) Revenue and Changes in Net Assets
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	
Governmental activities:			
Legislative	\$ 2,280	\$ -	\$ (2,280)
General government	67,397	4,496	\$ (62,902)
Public safety	24,651	-	(24,651)
Public works	19,579	-	(19,579)
Recreation and culture	4,469	-	(4,469)
Other	13,575	-	(13,575)
	<u>131,951</u>	<u>4,496</u>	<u>(127,456)</u>
Total governmental activities			
General revenues:			
Property taxes			\$ 52,429
State revenue sharing			45,905
Interest			6,838
Miscellaneous			<u>21,353</u>
Total general revenues			<u>\$ 126,525</u>
Change in net assets			(931)
Net assets, beginning of year			<u>278,941</u>
Net assets, end of year			<u><u>\$ 278,010</u></u>

See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2008

	<u>Total</u>
ASSETS	
Cash in bank	\$ 201,675
Due from State	<u>10,835</u>
Total assets	<u><u>\$ 212,510</u></u>
 LIABILITIES	
Total liabilities	<u>\$ -</u>
 FUND BALANCE	
Fund balance-unreserved	
Unreserved	<u>212,510</u>
Total liabilities and fund balance	<u><u>\$ 212,510</u></u>

See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2008

Total fund balances for governmental funds	\$ 212,510
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental
funds balance sheet:

Capital assets at cost	228,426
Accumulated depreciation	<u>(162,926)</u>

Total net assets of governmental funds	<u><u>\$ 278,010</u></u>
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See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
March 31, 2008

	<u>Total</u>
REVENUES:	
Property taxes	\$ 52,429
Other taxes	16,079
State revenue sharing	45,905
Charges for services	4,496
Interest	6,838
Miscellaneous	<u>5,274</u>
Total revenue	<u>\$ 131,021</u>
EXPENDITURES:	
Legislative	
Township board	\$ 2,280
General government	
Supervisor	6,360
Election	3,084
Assessor	14,400
Clerk	9,175
Board of review	740
Treasurer	9,615
Building and grounds	6,382
Cemetery	1,856
Unallocated	14,159
Public safety	
Fire protection	7,927
Public works	
Highway and streets	11,733
Street lights	2,018
Sanitation	5,828
Recreation and culture	
Recreation	4,251
Capital outlay	
General government	10,967
Other	
Employee benefits	2,651
Insurance and bonds	<u>10,924</u>
Total expenditures	<u>\$ 124,350</u>
Excess revenues (expenditures)	6,671
Fund balance, April 1	<u>205,839</u>
Fund balance, March 31	<u><u>\$ 212,510</u></u>

See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
March 31, 2008

Net changes in fund balances-total governmental funds	\$ 6,671
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation	
Depreciation expense	(18,569)
Capital outlay	<u>10,967</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (931)</u></u>

See accompanying notes to financial statements

TOWNSHIP OF THOMPSON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
March 31, 2008

ASSETS

Cash and cash equivalents:

Unrestricted

\$ 198

LIABILITIES

Undistributed taxes and interest:

Due to others

\$ 198

See accompanying notes to financial statements.

Notes to Financial Statements

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: roads, public improvements, fire safety, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, and management's discussion and analysis. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

- a. Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. The General Fund is always considered a major fund, and is the Township's only major governmental fund

The funds of the Township are described below:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Township's only fiduciary fund is the Current Tax Collections Fund.

- (2) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year in which they are levied.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. For this purpose, the Township considers revenue to be available if they are collected within sixty days of the end of the current fiscal period. State shared revenues, charges for services and interest earnings are accrued since they are measurable and available. Revenues from federal and state grants received as reimbursements for specific purposes of projects are recognized when the expenditure is incurred. When both general purpose and restricted revenues are available for use, it is the Township's policy to use restricted resources first.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term debt, which is recognized when due.

- (3) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to December 1, the Township Clerk submits to the Township Board a proposed operating budget of the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
 - b. Prior to the beginning of the next fiscal year the budget is legally enacted through passage of an ordinance.
 - c. Budgeted amounts are as originally adopted and amended by the Township Board.
- (4) Property Taxes – The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on the taxable valuation of property as of the preceding December 31. In addition to collecting their own taxes, the Township also acts as collection agent for all over-lapping governments in the Township.

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two or three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. The Township considers payments received from the County Treasurer as part of the tax settlement as available if they are received within 90 days of the Township's fiscal year end. For the current year the Township levied .8626 mills for general operating purposes, and the taxable value was \$44,199,595.

- (5) Cash and Cash Equivalents – The Township's cash and cash equivalent as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less or where there is no loss of principal upon early withdrawal.
- (6) Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Township has not recorded an allowance for uncollectible as the Township does not anticipate any material uncollectible accounts.
- (7) Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the Township's assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Township has elected not to report, nor is it required to report, its major general infrastructure assets per GASB Statement No. 34.

Types of property generally not recorded as capital assets would include certain office furniture and equipment, and various fire services equipment and turn-out gear. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

- | | |
|-----------------------------|----------------|
| • Buildings | 15 to 50 years |
| • Fire Vehicles | 15 years |
| • Equipment and Furnishings | 5 years |

Capital assets are recorded as an asset and depreciated for the government-wide financial statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets is reported as an expenditure in the governmental fund financial statements when acquired.

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (8) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND EQUIVALENTS

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Cash and cash equivalents consist solely of checking and saving account deposits, and CD's.

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	Carrying Amount	Bank Balance
FDIC Insured	\$ 100,000	\$ 100,000
Uninsured	101,675	101,886
Total of cash and cash equivalents	<u>\$ 201,675</u>	<u>\$ 201,886</u>

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The Township has no investments in commercial paper.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2008, the Township held \$201,886 in deposits with financial institutions, in which \$101,886 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE B – CASH AND EQUIVALENTS (Continued)

The Township's investment policy requires that the Township invest excess monies in interest bearing accounts or certificates of federally insured banks located in the State of Michigan and is in compliance with statutory requirements established by the State. However, the Township investment policy does not address any of the above risks.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008, is as follows:

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Governmental Activities				
Assets not subject to depreciation:				
Land	\$ 1,600	\$ -	\$ -	\$ 1,600
Assets subject to depreciation:				
Buildings and improvements	47,672	10,968	-	58,640
Machinery and equipment	168,187	-	-	168,187
Total assets subject to depreciation	<u>215,859</u>	<u>10,968</u>	<u>-</u>	<u>226,827</u>
 Total capital assets	<u>217,459</u>	<u>10,968</u>	<u>-</u>	<u>228,427</u>
 Less accumulated depreciation				
Buildings and improvements	20,228	2,070	-	22,298
Machinery and equipment	124,130	16,499	-	140,629
Total accumulated depreciation	<u>144,358</u>	<u>18,569</u>	<u>-</u>	<u>162,927</u>
 Net governmental activities capital assets	<u>\$ 73,101</u>	<u>\$ (7,601)</u>	<u>\$ -</u>	<u>\$ 65,500</u>

Depreciation expense was charged to the governmental activities as follows:

General government	\$ 1,627
Public safety	16,724
Recreation and culture	<u>218</u>
 Total governmental activities depreciation expense	<u><u>\$ 18,569</u></u>

TOWNSHIP OF THOMPSON
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE D – PENSION PLAN

The Township has a retirement plan that covers all elected officials and full time employees. The Township contributes a percentage of each covered employee's wages to the plan. During the fiscal year ended March 31, 2008, the Township paid \$1,881 to the retirement plan.

NOTE E – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplementary Information

TOWNSHIP OF THOMPSON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (under)
REVENUES				
Property taxes	\$ 48,000	\$ 48,000	\$ 52,429	\$ 4,429
Other taxes	16,300	16,300	16,079	(221)
State revenue sharing	45,000	45,000	45,905	905
Charges for services	2,800	2,800	4,496	1,696
Interest	420	420	6,838	6,418
Miscellaneous	18,510	18,510	5,274	(13,236)
Total revenue	131,030	131,030	131,021	(9)
Expenditures				
Legislative				
Township board	2,280	2,280	2,280	-
General government				
Supervisor	6,360	6,360	6,360	-
Election	4,000	4,000	3,084	916
Assessor	14,400	14,400	14,400	-
Clerk	6,975	9,175	9,175	-
Board of review	1,100	1,100	740	360
Treasurer	9,615	9,615	9,615	-
Building and grounds	15,000	15,000	6,382	8,618
Cemetery	2,200	2,200	1,856	344
Unallocated	32,000	33,057	14,159	18,898
Public safety				-
Fire protection	8,000	8,000	7,927	73
Public works				-
Highway and streets	18,200	16,515	11,733	4,782
Street lights	1,400	2,000	2,018	(18)
Sanitation	8,000	5,828	5,828	-
Recreation and culture				-
Recreation	1,500	1,500	4,251	(2,751)
Capital outlay				-
General government	-	-	10,967	(10,967)
Other				-
Employee benefits	-	-	2,651	(2,651)
Insurance and bonds	-	-	10,924	(10,924)
Total expenditures	131,030	131,030	124,350	6,680
Excess (deficiency) of revenues over expenditures	-	-	6,671	6,671
Fund balance, April 1	205,839	205,839	205,839	-
Fund balance, March 31	\$ 205,839	\$ 205,839	\$ 212,510	\$ 6,671

Other Supplementary Information

TOWNSHIP OF THOMPSON
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
March 31, 2008

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Assets				
Cash	<u>\$ 463</u>	<u>\$ 1,293,431</u>	<u>\$ 1,293,696</u>	<u>\$ 198</u>
Liabilities				
Due to others	463	1,293,431	1,293,696	198
Due to other governments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 463</u>	<u>\$ 1,293,431</u>	<u>\$ 1,293,696</u>	<u>\$ 198</u>

See accompanying notes to financial statements



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

REPORT TO MANAGEMENT

To the Members of the Board
Township of Thompson, Michigan

We have audited the financial statements of the governmental activities of the Township of Thompson for the year ended March 31, 2008, and have issued our report thereon dated September 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 27, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Thompson Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether Thompson Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 27, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Thompson are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Our audit adjustments, individually and in the aggregate, were material to the financial statements taken as a whole, and were primarily to properly accrue revenues.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a

consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated September 18, 2008, on the financial statements of the Township of Thompson.

We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township Board and management of the Township of Thompson and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 18, 2008

TOWNSHIP OF THOMPSON
COMMENTS AND RECOMMENDATIONS
March 31, 2008

Year-End Accruals

Comment:

Accruals for state revenue sharing revenues are not being recorded at year-end.

Recommendation:

In order to accurately reflect the fiscal year activity, Township personnel should make the appropriate accruals at the end of the fiscal year.

Disbursement Approval

Comment:

During our review of the board minutes we noted that the check ranges and dollar amounts for the disbursement approval were not listed.

Recommendation:

In order to show that all expenditures are approved we recommend including in the board minutes a listing of all of the checks, or the check number range, including dollar amounts, for the disbursements being approved.

Tax Account

Comment:

We noted during our audit that the taxes collected were not always distributed timely during the fiscal year. MCL 211.43 Section 43(3)(a) of the General Property Tax Act requires tax collections to be delivered within ten business days after the first and fifteenth day of each month to the county treasurer in an amount equal to the total of the state and county tax collections on hand on the first and fifteenth day of that month.

Recommendation:

We recommend that the Township adhere to the requirements of the General Property Tax Act.



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Laura L. Schwalbach, CPA

To the Township Board and Management
of the Township of Thompson, Michigan

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Thompson as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Thompson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Thompson's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Thompson's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America.
- A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.
- Material audit adjustments were required to the financial statements to properly accrue revenues.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

- Management is unable to produce financial statements and the required disclosures in accordance with accounting principles generally accepted in the United States of America
- Material audit adjustments were required to the financial statements to properly accrue revenues.

This communication is intended solely for the information and use of management, Township Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.

Certified Public Accountants

September 18, 2008